

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6645**  
**BILL NUMBER: SB 244**

**NOTE PREPARED: Feb 1, 2010**  
**BILL AMENDED: Feb 1, 2010**

**SUBJECT:** Alcoholic Beverage Wholesalers.

**FIRST AUTHOR:** Sen. Merritt  
**FIRST SPONSOR:**

**BILL STATUS:** 2<sup>nd</sup> Reading - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill allows a beer and wine wholesaler to wholesale liquor, if: (1) the liquor primary source of supply has been the wholesaler's primary source of supply for wine for at least ten years; and (2) the brand of liquor that the beer wholesaler intends to wholesale has not been distributed in the state for more than two years immediately preceding the first sale of the liquor to the holder of the beer wholesaler's permit.

The bill provides that if a primary source of supply terminates or reduces a liquor wholesaler's distribution rights of a brand, the wholesaler that receives the distribution rights (successor wholesaler) must compensate the terminated wholesaler for the fair market value of the lost distribution rights, less any amount paid to the original wholesaler by the primary source of supply for the distribution rights to the discontinued brand. It provides that unless otherwise agreed to by the parties, if the successor wholesaler does not compensate the terminated wholesaler within a specified period of time, either party may submit the matter to arbitration.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** *Alcohol and Tobacco Commission (ATC):* This bill will cause an increase in administrative costs for the ATC. The amount of the increase is indeterminable. The bill will require the ATC to amend rules, forms, and procedures related to the permits affected by the bill. It is anticipated that the provisions of this bill could be implemented through the use of existing staff and resources.

**Explanation of State Revenues:** (Revised) *Permit Fees:* This bill could increase permit fee revenues deposited in the state General Fund and the Enforcement and Administration Fund (EAF). Under current statute a person can wholesale only wine and beer or wine and liquor. This bill strikes that provision,

allowing a person to wholesale beer, wine, and liquor if the following conditions are satisfied:

- (1) the liquor primary source of supply has been the wholesaler's primary source of supply for wine for at least 10 years; and
- (2) the liquor brand that the beer wholesaler intends to wholesale has not been distributed in the state for more than two years immediately preceding the first sale of the liquor to the holder of the beer wholesaler's permit.

The amount of the increase in fee revenue is indeterminable, but likely minimal, and will depend on the number of permits that are issued. The fee for a beer wholesaler and liquor wholesaler permit is \$2,000 each per year; 66% of the revenues are deposited in the state General Fund and 34% of the revenues are deposited in the EAF.

*Impact on Alcohol Sales:* To the extent that any of the provisions of this bill affect alcoholic beverage sales, state revenues will be impacted. Sales changes will affect collections of both alcoholic beverage excise taxes and the Sales Tax.

The Alcoholic Beverage Excise Taxes are distributed in varying amounts to the following funds: state General Fund, the Post War Construction Fund, the Enforcement and Administration Fund (EAF), the Addiction Services Fund, and the Wine Grape Market Development Fund. The state retains 50% of the General Fund distribution of Beer and Wine Excise Tax revenue. The remainder is distributed to cities and towns based on population.

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** To the extent that revenue from alcoholic beverage excise taxes increase revenues going into the General Fund, revenues to cities and towns would increase.

**State Agencies Affected:** ATC.

**Local Agencies Affected:** Cities and towns.

**Information Sources:**

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